



**DEFENSE LOGISTICS AGENCY  
DEFENSE CONTRACT MANAGEMENT COMMAND  
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IN REPLY  
REFER TO

AQOD

19 DEC 1995

**MEMORANDUM FOR COMMANDERS, DEFENSE CONTRACT MANAGEMENT  
DISTRICTS  
COMMANDER, DEFENSE CONTRACT MANAGEMENT  
COMMAND INTERNATIONAL**

**SUBJECT: Undefined Contractual Actions (UCAs)**

Management of UCAS continues to be an issue that attracts attention from Congress, the General Accounting Office, and the DoD Inspector General. Three issues relating to UCAs--funding, definitization timeliness, and profit--are of particular concern to those organizations, and are discussed in this letter.

Congress passed legislation in 1986 (codified at 10 U.S.C. 2326, Undefined contractual actions: restrictions) to limit the amount of funds disbursed under UCAs. However, the Federal Acquisition Streamlining Act of 1994 amended the statute to apply the limitations to obligations rather than disbursements. This change came about because Congress recognized that limiting obligations prevented the possibility of inadvertent disbursements in excess of Congress' limits for UCAS pending receipt of qualifying proposals and complete definitization. That change has been implemented in DoD Federal Acquisition Regulation Supplement (DFARS) 217.74. Accordingly, Administrative Contracting Officers (ACOs) must remember that when issuing UCAS they may initially obligate no more than 50 percent of the not-to-exceed (NTE) amount. They may obligate an additional 25 percent (for a total of 75 percent) after receipt of a qualifying definitization proposal (i.e., a proposal determined by the contracting officer to be adequately supported for audit, analysis, and negotiation). Additional funds (i.e., more than 75 percent of NTE) maybe obligated only after definitization.

Definitization timeliness is a problem at a number of contract administration offices (CAOs). At one CAO, for instance, 68 percent of its nearly 700 UCAS are overage. At another CAO, its almost 90 UCAS have been on-hand an average of 801 days. Even though many of our offices are promptly definitizing UCAS (we know of quite a number of offices that are averaging less than 8 percent overage, even with large volumes of UCA activity), UCA definitization is an area where we obviously have an opportunity to much better satisfy our customers. In fact, the Naval Inventory Control Points at Philadelphia and Mechanicsburg have recently asked

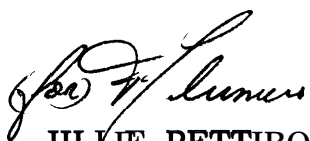


for our help in achieving a goal of zero overage UCAS by September 30, 1996. As a command, we need to do much better if we're going to help our customers meet their goal.

Profit objectives for UCAS have also been an area of concern. The subject is covered in statute, and is twice dealt with in the DFARS (at 215.971-3(d)(2) and 217.7404-6). The general policy expressed by statute and regulation is that if contractors' cost risks have been reduced because definitization occurs after a substantial portion of the work has already been performed, then profit objectives should be likewise reduced. Instances have been noted recently where CAOS were not following that policy.

Local management should include UCA management in all self-assessments. It will be a special interest topic during Internal Operations Assessments. Questions or comments on the issues discussed in this letter maybe directed to Mr. David Ricci, Contractor Capability and Proposal Analysis Team (AQOD), (703) 767-3376 or DSN 427-3376.

This letter is informational in nature and should be distributed to all personnel involved in pricing, negotiating and administering UCAS. It expires on February 29, 1996.

A handwritten signature in black ink, appearing to read "Jillee Pettibone", is positioned above the printed name.

**JILLEE. PETTIBONE**

Executive Director

Contract Management Policy